

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the undertaking of superstructure construction, foundation piling, substructure works, slope improvement, special construction projects and interior decoration works in Hong Kong, Special Administrative Region (“Hong Kong, SAR”) during the year. There were no changes in the nature of the Group’s principal activities during the year.

Results and dividends

The Group’s loss for the year ended 31 March 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 85.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2004.

Summary financial information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 March				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)	2002 <i>HK\$'000</i> (Restated)	2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i> (Restated)
Net profit/(loss) from ordinary activities attributable to shareholders	(2,862)	4,255	(28,264)	(71,627)	(10,390)

REPORT OF THE DIRECTORS

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2004	2003	31 March		
	HK\$'000	HK\$'000	2002	2001	2000
		(Restated)	HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)	(Restated)
TOTAL ASSETS	262,456	240,797	271,844	370,284	450,742
TOTAL LIABILITIES	145,396	120,703	158,300	223,094	237,456
MINORITY INTERESTS	3,018	2,602	1,537	6,547	4,590
	114,042	117,492	112,007	140,643	208,696

Fixed assets

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 12 to the financial statements.

Investment property

Details of movements in the investment property of the Group during the year are set out in note 12 to the financial statements. Further details of the Group's investment property are set out on page 86 of this annual report.

Share capital and share options

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share options are set out in notes 26 and 27 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

ASSETS, LIABILITIES AND MINORITY INTERESTS *(continued)*

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2004, the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account with a balance of HK\$166,405,000 as at 31 March 2004 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 66% of the Group's total sales for the year and sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for less than 21% of the Group's total purchases for the year. In arriving at the relevant percentage, purchases during the year not yet charged to the profit and loss account have been included.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Zhang Xiaoshu (*Chairman*)

Mr. Ng Tat Leung, George

Mr. Chan Wai Keung, Ivan

Mr. Wong Teck Ming, Phillip

Mr. Lui Siu Yee, Samuel

Mr. Miao Jianmin

Mr. Zheng Changyong

Mr. Lo Chung Sun

Non-executive director:

Mr. Wang Xianzhang

Independent non-executive directors:

Mr. Leung Wai Cheung *(appointed on 10 June 2003)*

Mr. Wong Lit Chor, Alexis *(appointed on 30 October 2003)*

Mr. Cheung Yiu Kuen, Vincent *(appointed on 10 June 2003 and resigned on 30 October 2003)*

Mr. Clive William Oxley, OBE, ED *(resigned on 10 June 2003)*

Mr. Richard Kenneth Bryson *(resigned on 10 June 2003)*

Mr. Tyebjee Hatam Barma, ISO, JP *(resigned on 10 June 2003)*

In accordance with Bye-laws 98 and 103(B) of the Company's Bye-laws, Messrs. Wong Teck Ming, Phillip, Chan Wai Keung, Ivan, Miao Jianmin and Wong Lit Chor, Alexis will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors but excluding the Chairman of the Company, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors

Mr. Zhang Xiaoshu, aged 60, is the chairman of the Company. He is currently the vice-president of China Insurance H.K. (Holdings) Company Limited (“China Insurance”), which owns 15.65% of the issued capital of the Company through its 99.9% owned subsidiary, Glado Development Limited. Mr. Zhang had more than 23 years’ experience in administration and management with the Shanghai government prior to his joining the Group.

Mr. Ng Tat Leung, George, aged 45, is the deputy chairman and managing director of the Company and has the responsibility for the marketing and business development of the Group, including overseeing the progress of all of the Group’s projects and liaison with its suppliers, sub-contractors and clients. Mr. Ng holds a bachelor of science degree in civil engineering from the University of Hong Kong and a master of business administration degree from the Chinese University of Hong Kong. He has more than 22 years’ experience in the construction industry. Mr. Ng joined the Group in 1984.

Mr. Chan Wai Keung, Ivan, aged 33, is the son of Mr. Chan Mo Yan, the late former chairman of the Group. He is responsible for the development of office automation, information systems and mathematical operations research in the Group. He holds a bachelor of mathematics degree in computer science and combinatorics and optimisation from the University of Waterloo, Canada.

Mr. Wong Teck Ming, Phillip, aged 46, holds a bachelor of science degree in civil engineering and a master’s degree in civil and structural engineering from the University of Hong Kong. He is a corporate member of the Institution of Civil Engineers in the United Kingdom. Mr. Wong has more than 22 years’ experience in the construction industry and specialises in design and site formation. He is in charge of the piling and foundation work, structural design and the quality control of the Group’s projects. He joined the Group in 1992.

Mr. Lui Siu Yee, Samuel, aged 44, is the finance director of the Company. Mr. Lui has more than 22 years of finance and accounting experience. Prior to joining the Group in December 1994, he was the financial controller of a Hong Kong property investment and development group.

Mr. Miao Jianmin, aged 39, is an adviser on the Group’s business activities in Hong Kong, SAR and the People’s Republic of China excluding Hong Kong, SAR (the “PRC”) and is currently the assistant general manager of China Insurance (Group) Company Limited, a subsidiary of China Insurance, in Hong Kong, SAR. Mr. Miao graduated from the post-graduate division of the head office of the People’s Bank of China with a master’s degree in economics and has worked in various departments of the People’s Insurance Company of China for more than 13 years. He joined the Group in October 1998.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT STAFF *(continued)*

Executive directors *(continued)*

Mr. Zheng Changyong, aged 39, was an adviser on the Group's business activities in Hong Kong, SAR and the PRC and is currently the general manager in the finance and accounts department of the China Insurance (Group) Company Limited in Hong Kong, SAR. Mr. Zheng graduated from the School of Business of Beijing (now University of Industry and Commerce of China) with a master's degree in economics and has worked in various departments of the People's Insurance Company of China for more than 13 years. He joined the Group in October 1998.

Mr. Lo Chung Sun, aged 50, is responsible for the undertaking of piling project works of the Group. Mr. Lo holds a master's degree in science from the University of Wales in the United Kingdom. He has more than 23 years' experience in the construction industry, and is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers of the United Kingdom, as well as being a chartered engineer of the Engineering Council of the United Kingdom and a registered structural engineer with the Building Authority in Hong Kong. He joined the Group in May 1994 and was admitted to the Company's board of directors in December 2000.

Non-executive director

Mr. Wang Xianzhang, aged 63, is the honorary chairman of the Company. He is the vice-chairman and vice-president of the People's Insurance Company of China, and vice-chairman and president of China Insurance. Mr. Wang graduated with a bachelor's degree in economics from the Finance and Economics University of Northeast China and has over 39 years' experience in finance, administration and management with the People's Insurance Company of China. Mr. Wang joined the Group in 1996.

Independent non-executive directors

Mr. Clive William Oxley, OBE, ED, aged 68, was a senior administrative officer of the Hong Kong government prior to his retirement in May 1994. During his 25-year career with the Hong Kong government, he served, inter alia, as the assistant secretary to the government secretariat responsible for civil service discipline, as the district officer for Sham Shui Po, Sai Kung and Tai Po, as the deputy secretary for planning, environment and lands branch responsible for town planning and the development of Kowloon and the New Territories, as a member of the Sino-British land commission and as the commissioner of customs and excise. He resigned as a director of the Company on 10 June 2003.

Mr. Tyebjee Hatam Barma, ISO, JP, aged 71, joined the board in June 2000. He is also a director of the Hong Kong Industrial Technology Centre Corporation (a government statutory organisation). He retired in 1993 after 26 years' service with the Hong Kong government as the director general of industry after having served in a variety of posts, including the deputy postmaster general, the deputy secretary for the civil service and the commissioner of the Hong Kong export credit insurance corporation. He then served for nearly six years (1993 – 1999) as the chief executive and the general manager of the Hong Kong Industrial Estates Corporation. He resigned as a director of the Company on 10 June 2003.

Mr. Richard Kenneth Bryson, aged 71, is a retired solicitor in Hong Kong, SAR. He resigned as a director of the Company on 10 June 2003.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT STAFF *(continued)*

Independent non-executive directors *(continued)*

Mr. Leung Wai Cheung, aged 40, is a qualified accountant and chartered secretary with over 10 years of experience in accounting and auditing and over 3 years of experience in financial management. He graduated from the Curtin University of Technology in Australia with a bachelor of commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration and a master of professional accounting from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Society of Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Companies Secretaries and The Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. He was appointed as an independent non-executive director of the Company on 10 June 2003.

Mr. Wong Lit Chor, Alexis, aged 46, graduated from University of Toronto, Canada in 1981 with a bachelor's degree in arts and has obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. Mr. Wong has over 20 years' experience in the financial service industry and has served as a senior executive in a number of listed financial services companies in Hong Kong. Mr. Wong was appointed as an independent non-executive director of the Company on 30 October 2003.

Mr. Cheung Yiu Kuen, Vincent, aged 43, is a senior banker with over 19 years of experience in the banking industry, especially in commercial and corporate banking. Mr. Cheung holds a bachelor's degree majoring in general business management from The Chinese University of Hong Kong. He was appointed as an independent non-executive director of the Company on 10 June 2003 and resigned on 30 October 2003.

Senior management

Mr. Tse Siu Cheung, Edward, aged 44, is the projects director of W. Hing Construction Company Limited, a wholly-owned subsidiary of the Company. Mr. Tse holds a bachelor of arts degree in architectural studies and a bachelor's degree in architecture. He is a member of the Hong Kong Institute of Architects, an authorised person (List 1) and a registered architect with the Hong Kong government. He has 17 years of local experience in both the design and project management of building development projects. He joined the Group in 1997.

Mr. So Chi Kong, Sunny, aged 45, is the director of Anpoint Engineering Limited, a wholly-owned subsidiary of the Company. Mr. So holds a bachelor of science degree in mechanical engineering and is a member of the Hong Kong Institution of Engineers. He has 22 years' experience in electrical and mechanical works design and construction and is responsible for the marketing and business development of the Group.

Mr. Kam Kwai Wa, aged 43, is the senior project manager of CWF Piling & Civil Engineering Company Limited, a wholly-owned subsidiary of the Company, and is responsible for site planning and the supervision of foundation piling and superstructural works. Mr. Kam holds a higher certificate in civil engineering from the Hong Kong Polytechnic University and has more than 21 years' experience in the construction industry. He joined the Group in April 1994.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Ng Tat Leung, George, Wong Teck Ming, Phillip and Lui Siu Yee, Samuel has entered into a service contract with the Company for an initial term of two years commencing from 1 September 1995. On their initial expiry, these service contracts provide that they will continue until terminated by not less than three months' written notice served by either party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTOR'S INTERESTS IN SHARE CAPITAL

At 31 March 2004, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions in ordinary shares of the Company

Name of director	Note	Capacity	Number of ordinary shares held	Percentage of issued share capital
Ng Tat Leung, George	(a)	Interest in corporation	71,818,000	24.98%

Note:

- (a) These shares are beneficially owned by Total Success Worldwide Limited, the entire issued share capital of which is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip. Accordingly, Mr. Ng Tat Leung, George, is deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.

DIRECTOR'S INTERESTS IN SHARE CAPITAL *(continued)*

- (2) *Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures.*

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO.

Save as disclosed therein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2004 as defined in Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Director's interests in share capital" above and in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

At 31 March 2004, the following companies/persons were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

- (1) *Long positions in ordinary shares of the Company*

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Percentage of interest
Mr. Ng Tat Leung, George	(1)	Interest in corporation	71,818,000	24.98%
Mr. Chan Mo Yan, deceased	(1)	Interest in corporation	71,818,000	24.98%
Total Success Worldwide Limited	(1)	Beneficial owner	71,818,000	24.98%
Glado Development Limited	(2)	Beneficial owner	45,000,000	15.65%

Notes:

- (1) The shareholding interest of Mr. Chan Mo Yan, deceased, is held through Total Success Worldwide Limited. The entire issued share capital of Total Success Worldwide Limited is owned as to approximately 46.46% by Mr. Chan Mo Yan, deceased, 46.46% by Mr. Ng Tat Leung, George and the remaining 7.08% by Mr. Wong Teck Ming, Phillip. Accordingly, Mr. Chan Mo Yan, deceased, and Mr. Ng Tak Leung, George, are deemed to be interested in all the shares in which Total Success Worldwide Limited is interested pursuant to the SFO.
- (2) Glado Development Limited is a company incorporated in Hong Kong and is a 99.9% owned subsidiary of China Insurance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL *(continued)*

(2) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

Save as disclosed therein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2004 as defined in Section 336 of the SFO.

DISCLOSURE PURSUANT TO THE REVISED LISTING RULES 13.20

In accordance with the revised Listing Rules becoming effective on 31 March 2004, the Group hereby discloses that the Group had an accounts receivable from a contract customer who is also a jointly-controlled entity of the Group, namely Veolia Water (Zhuhai) Wastewater Treatment Company Limited, of approximately HK\$32 million at 31 March 2004, which was unsecured and interest-free. The receivable arose from the undertaking of construction contract works during the year. Up to the date of this report, the balance had been fully settled.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 35 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Group complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year covered by the annual report, except that the non-executive director and the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprised the two independent non-executive directors of the Company during the year ended 31 March 2004. The audit committee met on two occasions during the year to review and provide supervision over the financial reporting process and internal controls of the Group.

REPORT OF THE DIRECTORS

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Tat Leung, George
Deputy Chairman and Managing Director

Hong Kong
26 July 2004